

general policy pursued. The mere verification of accounts is performed by subordinates. The chief inspector, therefore, is the equal in character and position of the general manager, and is exposed to few of the temptations of an inferior. He confers with the latter and reports the results of his inquiries regarding the standing of firms seeking discounts. If the inspector is associated too closely by family or other ties with the general manager, the fact is likely to become a subject of business gossip and to impair confidence in the bank. The establishment of the general redemption fund has had a salutary effect in attracting the attention of the banks to each other's condition, because of the common responsibility which the fund imposes.

The safeguards of the Canadian system have been such that the entire losses to creditors, exclusive of shareholders, since confederation in 1867, have been very limited in amount. Only rarely even has it been necessary to assess shareholders under their duplicate liability. "The record for the years preceding 1867," says Mr. Breckenridge, "is hardly less admirable, there being no failures in Nova Scotia or Lower Canada, while in New Brunswick the double liability of shareholders saved the banks' creditors, and in Upper Canada the failure of the Bank of Upper Canada was the only one which inflicted considerable loss."¹⁵ The Bank of Upper Canada violated the rules of sound banking under the stimulus of a period of rapid growth in Ontario, and made heavy loans to lawyers, politicians, and the gentry. Much money was lost in the land speculations of 1857, the capital was reduced in 1861, the public deposits were reduced in 1863, another reduction of capital in 1866 failed to save the bank, and payment was stopped September 18, 1866, with liabilities of \$3,402,000. The assets were nominally worth \$5,362,000, but gradually shrunk until in 1882 they were only \$420,387 against still outstanding liabilities of \$1,380,015. Of this liability \$1,122,649 was ^{s^}ue the government, which was open to the suspicion, by its tardy efforts to re-